

Thailand's merchandise exports in March rose on the back of some transitory factors

- **Thailand's exports in March unexpectedly rebounded 4.2% YoY, the largest expansion in 8 months, following a -4.5% YoY contraction in February. Imports for the month rose 7.3% YoY after falling 4.3% YoY in the previous month (Chart 1).** Trade surplus narrowed to USD1.6 bn from USD3.9 bn last month. For Q1/2020, exports inched up 0.9% YoY, while imports slipped 1.92% YoY. Trade balance registered a USD3.9 bn surplus for the first quarter.
- **The main driver of this month's exports rebound was gold (215.2% YoY) and aircrafts parts (1,129.3% YoY) to the US after the Cobra Gold Military Exercise in February.** Gold exports surged after gold prices reached a seven-year high due to its status as a safe haven. Excluding gold, oil, and weaponry, exports edged up by 2.1% YoY from electronics products (8.6% YoY), partly from work-from-home demand. Agricultural and agro-manufacturing exports dipped 1.1% YoY from lower exports of rubber (-24.7% YoY), rice (-13.2% YoY), cassava products (-13.1% YoY), and canned seafood products (-6.0% YoY), from supply disruption caused by the shocks to logistics and drought. Meanwhile, processed fruits and vegetables and frozen chicken exports continued to expand by 10.9% YoY and 7.5% YoY respectively from food hoarding abroad.
- **Expansion in March imports was primarily in gold (111.6% YoY).** Other major categories contracted, suggesting slowing domestic demand and production. The fall was led by capital goods (-5.5% YoY) and consumer goods (-4.9% YoY).
- **The escalating pandemic and tighter lockdowns would continue to weigh on the external and domestic demand.** The IMF forecast global economy to shrink 3.0% YoY and world trade volume to fall 11.0% YoY in 2020, the deepest recession since the Great Depression. For the Thai economy, the IMF projected a sharp 6.7% contraction, incorporating the impending sharp contraction in world trade and tourism. That said, computer parts (such as hard-disk drives) and foodstuff should continue to see solid demand going forward.
- **The recent development pointed to a difficult and choppy recovery.** A second wave of virus cases in Japan and Singapore emerged after the curve had flattened in mid-March. Sustained lockdown and business closures would continue to hamper consumption and production. Korean trade data for the first 20 days of April reflected a broad-based slump as exports fell 26.9% YoY. The low oil demand during the pandemic led to excess oil supply and drove prices to negative territory (Chart 2) as storage reaching maximum capacity. West Texas Intermediate, the benchmark US oil prices traded below zero for the first time in history. **Against these backdrops, we expect the Thai exports to sharply contract with weak global demand and business disruptions.**

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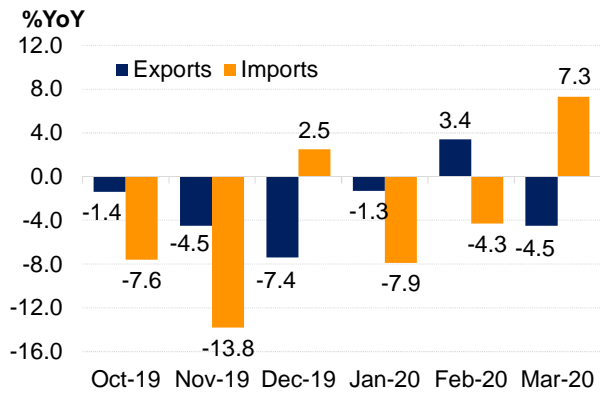
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Chart 1: Thai Export Growth



Source: Ministry of Commerce

Chart 2: WTI Crude Oil Price



Source: CEIC

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